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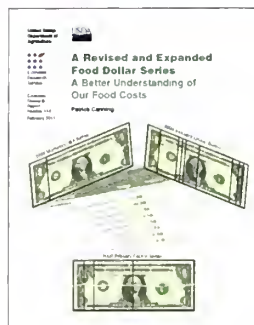


# ERS Report Summary

Economic Research Service

February 2011

U.S. Department of Agriculture



This is a summary  
of an ERS report.

Find the full report at  
[www.ers.usda.gov/  
publications/err114](http://www.ers.usda.gov/publications/err114)

ERS is a primary source  
of economic research and  
analysis from the U.S.  
Department of Agriculture,  
providing timely informa-  
tion on economic and policy  
issues related to agriculture,  
food, the environment,  
and rural America.

## A Revised and Expanded Food Dollar Series A Better Understanding of Our Food Costs

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For many years, USDA's Economic Research Service (ERS) has analyzed annual spending by U.S. consumers on domestically produced food. ERS has published findings from this analysis in a series known as the marketing bill, which identified the costs of marketing the raw farm commodities contained in a typical dollar's worth of U.S.-produced food and the share of the typical food dollar going to farmers. Measurement problems, the discontinuation of several underlying data sources, and increased interest in evolving supply chain relationships prompted ERS to replace the old marketing bill series with a new expanded data series. This new series, named the food dollar series, provides a more detailed answer to the question, "For what do our food dollars pay?"

### The New Food Dollar Series

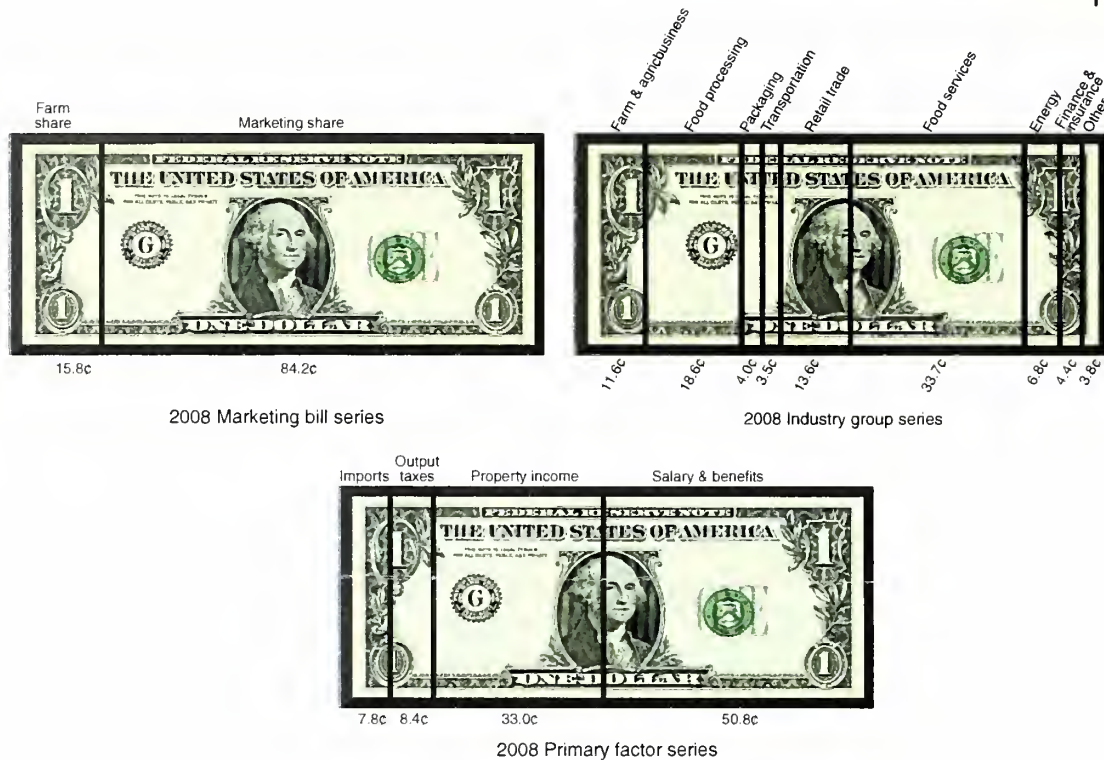
The new food dollar series is composed of three primary series, each of which provides a different way of slicing the same food dollar to provide a variety of perspectives:

- The *marketing bill series*, like the previous series of that name, identifies the distribution of the food dollar between farm and marketing shares.
  - This series indicates that the costs of marketing farm commodities to U.S. food consumers were an average of 4 cents higher per consumer food dollar than was previously reported between 1993 and 2006. In 2008, the farm share was almost 16 percent.
- The *industry group series* identifies the value added from 10 distinct food supply chain industry groups to the food dollar (that is, the marginal contribution of each industry group to the final food product).
  - The farm and agribusiness share in this series differs from the farm share in the current marketing bill series (and the old marketing bill) in that it does not include nonfarm value added. In 2008, 4.2 cents of the 15.8-cent farm share was value added from nonfarm supply chain industry groups, such as energy, transportation, and financial services.
  - This series indicates that payments from each food dollar going to the energy industry group approached 7 cents in 2008, an increase of 75 percent since 1998. These estimates are higher than those provided by the old marketing bill series, which only measured direct energy use of food processors, retailers, and foodservice establishments.
- The *primary factor series* identifies the distribution of the food dollar in terms of U.S. worker salaries and benefits, rents to food industry property owners, taxes, and imports.
  - This series indicates that U.S. worker salaries and benefits coming from each food dollar steadily declined from 55 cents to 51 cents between 2001 and 2008.
  - Imported ingredients, both food and nonfood, accounted for a growing share of the food dollar, climbing from less than 5 cents in 1993 to nearly 8 cents in 2008.

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To provide even more information about food supply chains, each of the three primary series is disaggregated into food-at-home and food-away-from-home series and into total food expenditures that do not include soft drinks and alcoholic beverages and total food expenditures that include them. Interestingly, in the food-at-home marketing bill series, the farm share of the food dollar remained around 24 cents from 1993 to 2008, suggesting that increasing expenditures on food services are behind much of the reduction in the farm share in the total marketing bill series.

In total, the new food dollar series includes 36 individual series, created by permutations of the three component series (marketing bill, industry group, primary factor), with the two commodity groupings (food/food and beverage), the three expenditure categories (total, food at home, food away from home), and the two dollar denominations (nominal, real). The series spans the period from 1993 to 2008 and will be updated annually.

## How and Why Was the New Food Dollar Series Constructed?

Annual input-output (IO) data for the years 1993 to 2008, published by the Bureau of Labor Statistics, data from the 1997 and 2002 detailed U.S. benchmark IO accounts, and annual IO data for the years 1998 to 2008, published by the Bureau of Economic Analysis (BEA), were compiled and reconciled to produce annual food marketing bill estimates for the period 1993-2008, using conventional IO analysis. Supply chain IO analysis determines where food dollars wind up (as income) by tracing the market value-added measures for 10 supply chain industry groups and three primary production factors (labor, domestic industry assets, and imports). All estimates were reported in both nominal (current price) and real (inflation-adjusted) dollars.

This new approach to assessing what our food dollars pay for is superior to the former approach in several important ways:

- The quality, timeliness, and completeness of the new source data ensures that a complete accounting of the entire food system is derived from a single consolidated data source.
- A precise approach to measuring and reporting the cost components of the entire food dollar in the new series avoids the potentially confusing divisions of the previous marketing bill series.
- The new food dollar series provides a more complete accounting of the modern global food system.